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# THE WALL STREET JOURNAL.

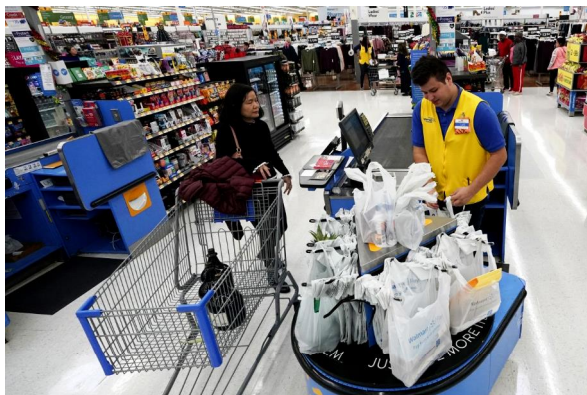
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BUSINESS | EARNINGS

## Walmart Posts Strong Sales Gains Ahead of Holidays

Retailer raises its sales and profit goals as it rides e-commerce gains and a strong U.S. economy



Total revenue in the latest quarter for Walmart was \$124.9 billion, an increase of 1.1%. PHOTO: DAVID J. PHILLIP/ASSOCIATED PRESS

By Sarah Nassauer

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Walmart Inc. posted higher quarterly sales, continuing a string of solid growth as the world's largest retailer taps into online shopping and a robust U.S. economy ahead of the busy holiday selling season.

Sales at U.S. stores open a year rose 3.4% in the quarter ended Oct. 26, including a 43% jump in e-commerce revenue. Walmart executives said same-store sales, which exclude volatile gasoline sales, will grow at least 3% for the full fiscal year.

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release.

"We have momentum in the business as we execute our plan and benefit from a favorable economic environment in the U.S.," said CEO Doug McMillon in a

Walmart's results followed a strong earnings report from Macy's Inc. on Wednesday, signs that retailers are heading for a healthy holiday shopping season. American consumers picked up their spending in October after two consecutive months of

declining retail sales, the Commerce Department reported Thursday.

But not everyone is benefiting from the rebound in consumer spending. Sears Holdings Corp. filed for bankruptcy protection last month, capping years of shrinking sales and hundreds of store closures.

J.C. Penney Co. on Thursday reported lower sales and a wider net loss in its latest quarter. It also lowered its full-year sales guidance

Penney's chief executive, Jill Soltau, who joined the company last month, said the department store needs to do a better job clearing excess inventory and understanding what its customers want.

At Walmart, total quarterly revenue was \$124.9 billion, an increase of 1.4% as lower international sales and currency translations slowed the overall gains. Walmart shed control of its operations in Brazil and is merging its U.K. operations with a rival to focus on its domestic business and e-commerce operations.

Profit attributable to Walmart was down 2.2% from a year ago to \$1.71 billion, or 58 cents a share.

The retailer increased its profit outlook for the fiscal year ending in January, saying earnings per share will come in at between \$4.75 to \$4.85, up from \$4.65 to \$4.80 the company laid out in October. That estimate was lowered from earlier in the year due to its \$16 billion purchase of Indian e-commerce firm Flipkart, part of Walmart's plans to remake its international portfolio.

Walmart's stock was flat in early Thursday trading, after closing at \$101.53 on Wednesday. The shares are trading near all time high of \$109.98 but are little changed from where they started the year.

In the U.S., Walmart said sales growth was driven by market share gains in groceries, household goods and other categories. Executives highlighted demand for fresh food and apparel, including Walmart's house brands, as well as toys as the company expanded its selection after the collapse of Toys R Us Inc. It's selling 40% more toys online this fall versus last year.

In the most recent quarter, Walmart's gross margins fell slightly as the company lowered prices, absorbed higher transportation costs and e-commerce made up a larger percentage of sales, said Walmart's finance chief Brett Biggs.

Walmart aims to get closer to profitability in its online segment by selling more items that are infrequent, but higher-margin purchases, in addition to common household goods, said Mr. McMillon. "The process takes time, and we're making progress," he said.

While most of its U.S. sales come from groceries, Walmart has added trendy fashion to its online assortment. In the past year, it has struck a deal to sell apparel from Lord & Taylor through Walmart.com and acquired online lingerie seller Bare Necessities and plus-size clothing brand Eloquii. Walmart previously acquired men's fashion site Bonobos and women's clothing seller ModCloth.

Walmart is reviewing every item expected to be subject to tariff-related increases in the coming months, discussing with suppliers ways to reduce costs, said executives. "The teams are hard at it," and merchandising executives are traveling overseas to study the issue, said Walmart U.S. CEO Greg Foran on a call with reporters.

Thus far retailers that have made strategic shifts to shrink store footprints and grow sales online appear in position to benefit from a robust holiday shopping season, riding a wave of solid economic growth. Wages grew in October at the fastest rate in nearly a decade and the unemployment rate remained at a 49-year low.

On Wednesday, Macy's said sales in existing stores rose 3.1% and that initiatives to spruce up its department stores and allow shoppers to buy online and pick up in stores were paying off. However, some retailers continue to struggle. J.C. Penney's same-store sales decreased 5.4% for the quarter ended Nov. 3. Adjusting for a calendar shift, same-store sales were down 4.5%, Penney said.

Other major chains, including Target Corp. and Best Buy Co. , are slated to report results next week ahead of the annual Black Friday shopping event.

In the U.S., Walmart aims to use its place as the country's largest grocery seller to get ahead of Amazon.com Inc. The company has expanded its grocery pickup program, which lets shoppers order online and pickup at 2,100 of its U.S. stores. Walmart will also add grocery delivery services to about 800 of its stores by the end of the year, using third-party services such as Postmates Inc. and Deliv Inc.

Walmart will overtake Apple Inc. as the third largest e-commerce retailer by sales this year, behind Amazon and eBay Inc., according to data released Thursday by market research firm eMarketer. Walmart will grab 4% of U.S. e-commerce sales or about \$20.9 billion, up from 3.3% last year, the firm predicted. Amazon will take 48% of sales, up from 43.1% last year.

Walmart's efforts in online grocery pickup are driving the expansion, said eMarketer analyst Andrew Lipsman. "As fast as Walmart's e-commerce business is growing, it still pales in comparison to juggernaut Amazon."

**Write to Sarah Nassauer at [sarah.nassauer@wsj.com](mailto:sarah.nassauer@wsj.com)**

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